



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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Bulletin 3-85

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MARKETING OF LIFE CONTRACTS FOR TAX REDUCTION OR AVOIDANCE PURPOSES

Effective immediately, no life product, annuity or combination thereof or any type of accumulation contract, shall be sold as a means of avoiding or reducing an individual's Federal Estate Tax situation, unless the following guidelines are met:

1. The consumer must be made aware that they are purchasing primarily life insurance.
2. Premiums on the life portion of the product must be paid every year and the amount of that premium charged.
3. If the "side" or "retirement fund" does not start accumulation the first year, it must be clearly stated. If the amounts placed in the "side" or "retirement fund" vary, there must be a clear demonstration of the extent and the timing of the variance.
4. It must be clearly stated that the guaranteed interest rate may be substantially lower than the rate described in the sales material. Also, any demonstration of a projected or anticipated interest rate must include an experience statement provided by the insurance company, reflecting the interest rates paid for the previous five years on that particular policy form. If there is no previous record, the company must indicate that this is a new form and that the projected interest rate is only an estimate.
5. The disclosure statement used will reflect the "net" amount an individual would receive if they should surrender the contract prior to its anticipated completion date.
6. There shall be an explanation, clearly written and easily understood, that the individual is in that segment of the population which is subject to a substantial tax burden due to the size of their estate. This will require that the soliciting company have available to them all pertinent information relative to the size of the estate of the perspective insured based upon verifiable information as to the size of the individual's estate, and the method used to compute that individual's tax consideration.
7. If there are any administrative fees, surrender charges for premature surrender or other charges not commonly associated with the life insurance product being offered, there must be a clear and concise explanation of the consequences.

If it should be determined by this Department that any plan is marketing in this state in a deceptive manner, either through the selling or advertising techniques, the premium refund plus all interest earned may be required. In addition, regulatory action may be brought against both the agent and the company involved.

Any questions concerning this bulletin should be directed to Ronald L. Sheffield, Consumer Affairs Director.

Linda N. Garner
INSURANCE COMMISSIONER